

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

12-3063

SB 403-FN-A *relative to the report on tobacco tax revenues.*

Senate Ways & Means Committee

Under this bill, on June 15, 2012, the Department of Revenue Administration would report to the Speaker of the House of Representatives, the Senate President, the Fiscal Committee of the General Court, the Secretary of State and the Director of the Office of Legislative Services the amount of Tobacco Tax revenue received for the period of July 1, 2011 to May 31, 2012. If Tobacco Tax revenue for the period of July 1, 2011 through May 31, 2012 is below the Tobacco Tax revenue for the period of July 1, 2010 through May 31, 2011, on July 1, 2012 the Tobacco Tax rate would increase from the current rate of \$1.68 for each pack of 20 cigarettes to \$1.78 for each pack of 20 cigarettes, and from 48% of the wholesale price for tobacco products other than cigarettes to 65.03% of the wholesale price for tobacco products other than cigarettes.

An estimate cannot be made by the Department due to insufficient data. Should the number of Tobacco Tax stamps and other tobacco products sold remain at fairly constant or higher levels then there would be an increase in Tobacco Tax revenue going forward. The Department, however, cannot determine what the additional revenue would be as the Department does not know how many Tobacco Tax stamps and other tobacco products would be sold. If the number of Tobacco Tax stamps and other tobacco products sold should fall by a percentage greater than the percentage increase in the rates, then there would be a decrease in Tobacco Tax revenue compared to the period of July 1, 2011 to May 31, 2012.

The Department notes that, historically, whenever the Legislature increased the Tobacco Tax rate, the Legislature passed a corresponding Floor Tax. Generally, the Floor Tax was implemented to prevent large purchases of Tobacco Tax stamps at the lower rate. The Floor Tax also alleviated the administrative burden with stale product and Tobacco Tax stamp returns - what Tobacco Tax rate was paid and what Tobacco Tax rate to refund. For stale products, the Department does not have a Tobacco Tax stamp number, so the Department does not know what Tobacco Tax rate to refund.

The Department would suggest adding specific language to the section relative to the "Tobacco Tax revenue" to be reported by the Department. To provide the most accurate data to the Legislature, the Department would suggest that the Department report the "Tobacco Tax Stamp revenue and smokeless tobacco revenue" rather than simply stating "Tobacco Tax revenue from the daily cash basis revenue report."